

AMENDED IN ASSEMBLY APRIL 24, 2006

AMENDED IN ASSEMBLY APRIL 6, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

## ASSEMBLY BILL

**No. 2570**

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**Introduced by Assembly Member Arambula**

February 23, 2006

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An act to add Sections 7504.5, 13984.3, and 13984.5 to the Government Code, to add Article 8 (commencing with Section 13900) to the Insurance Code, ~~and to amend Sections 12209, 17053.57 and 23657 of the Revenue and Taxation Code~~, relating to economic development.

### LEGISLATIVE COUNSEL'S DIGEST

AB 2570, as amended, Arambula. Community investment.

Existing law requires that each state and local retirement system submit audited financial statements to the State Controller at the earliest practicable opportunity within 6 months of the close of each fiscal year.

This bill would require the retirement systems to include in financial statement specified information regarding investments made in emerging domestic markets within the state. This bill would also state the Legislature's intent that, consistent with their fiduciary obligations, the state and local retirement systems set an investment goal of no less than 2% of their total investment portfolios in emerging domestic markets within the state.

Existing law vests the Secretary of Business, Transportation and Housing with various administrative duties and functions.

This bill would require the secretary to establish a statewide cooperative partnership with business and industry sectors to develop a strategy to attract new private investment into the state. This bill would further require the secretary to establish an Advisory Committee on Private Investments in California's Future, as specified, to assist in the development and implementation of the strategy and guide the partnership.

This bill would also require the secretary to submit the strategy to the Legislature and the Governor by October 1, 2007, and to update the strategy at least every 5 years.

Existing law provides that insurers may become eligible for tax credits, as specified, for certain voluntary investments in low income and rural communities. To become eligible for these tax credits, the insurers must apply to the Department of Insurance and be certified as "community development financial institutions" by the department. Under existing law, these provisions will be repealed in December 2007.

This bill would establish the California Rural Community Development Financial Institutions Act, which would require the department to establish an outreach program to rural and underserved areas, as defined, to certify community development financial institutions that are eligible to participate in the tax credit program.

This bill would also require the department to report to the Legislature by July 1, 2007, describing the required outreach program. The report would be required to contain specified information.

This bill would further require the department, beginning on October 1, 2008, to annually provide information of the department's Internet Web site. The required information would be the total number of certified community development financial institutions and their service area, and the total number of certified community development financial institutions, and their service areas added since the last published report.

~~This bill would extend the repeal date for the tax credits from December 2007, to January 1, 2011.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 7504.5 is added to the Government  
2 Code, to read:

3     7504.5. As part of its annual audited financial statement  
4 submitted to the Controller pursuant to subdivision (c) of Section  
5 7504, each state and local public retirement system shall report  
6 on the number, type, and value of investments it has made during  
7 the applicable fiscal year in California and all assets in emerging  
8 domestic markets within the state, as defined in subdivision (b)  
9 of Section 13984.5 and its success in meeting the goal set forth in  
10 Section 13984.2 of the Government Code.

11     SEC. 2. Section 13984.3 is added to the Government Code, to  
12 read:

13     13984.3. (a) The Secretary of Business, Transportation and  
14 Housing shall establish a statewide cooperative partnership with  
15 the business and industry sectors to develop a strategy to attract  
16 new private investment to the state.

17     (b) (1) The secretary shall establish an Advisory Committee  
18 on Private Investment in California's Future to assist in the  
19 development and implementation of the strategy and guide the  
20 partnership.

21     (2) The agency shall provide staffing for the committee.

22     (3) The committee shall consist of nine committee members  
23 appointed as follows:

24     (A) The Governor shall appoint seven representatives as  
25 follows:

26     (i) One representative from the banking industry.

27     (ii) One representative from an out of state insurance  
28 company.

29     (iii) One representative from an out of state foundation.

30     (iv) One representative from a domestic corporate pension  
31 fund.

32     (v) One representative from a foreign corporate pension fund.

33     (vi) One representative from a domestic public pension fund.

34     (vii) One representative from a foreign public pension fund.

35     (B) The President pro Tempore of the Senate shall appoint one  
36 representative from an in-state foundation.

37     (C) The Speaker of the Assembly shall appoint one  
38 representative from an in-state insurance company.

1 (D) The members shall serve at the pleasure of the appointing  
2 authority and shall not be compensated.

3 (E) Vacancies may be filled at the pleasure of the appointing  
4 authority.

5 (4) The agency shall use the California Economic  
6 Development Strategic Plan prepared pursuant to Section 15570  
7 to facilitate the development of the implementation strategy.

8 (c) The implementation strategy shall do the following:

9 (1) Assess current trends and opportunities in global and  
10 domestic investment practices.

11 (2) Assess who are the major asset managers by investment  
12 types.

13 (3) Assess how the state can be a greater recipient of foreign  
14 and domestic investment.

15 (4) Include a discussion on how the state could establish a  
16 cooperative private investment marketing campaign.

17 (5) Make recommendations for changes, if any, in applicable  
18 regulations and statutes.

19 (6) Make any other recommendations that the advisory  
20 committee determines are relevant.

21 (d) The committee may hold business roundtables,  
22 conferences, and use other devices the agency deems fit to  
23 engage leaders in the business and industry sectors to develop the  
24 implementation strategy.

25 (e) The secretary shall submit the implementation strategy  
26 developed by the committee to the Legislature and the Governor  
27 by October 1, 2007. The implementation strategy may be part of,  
28 or at least consistent with, the California Economic Development  
29 Strategic Plan prepared pursuant to Section 15570, and updated  
30 at least every five years.

31 SEC. 3. Section 13984.5 is added to the Government Code, to  
32 read:

33 13984.5. (a) It is the intent of the Legislature that, consistent  
34 with their fiduciary obligations, state and local retirement  
35 systems set an investment goal of no less than 2 percent of their  
36 total portfolios in emerging domestic markets within the state.

37 (b) For the purposes of this section “emerging domestic  
38 markets” means areas of the state that have been identified by the  
39 California Economic Strategy Panel as having limited access to  
40 capital markets. The Economic Strategy Panel shall prepare a list

1 of ZIP codes identifying emerging domestic markets that shall be  
2 used to track private investments in California's financially  
3 underserved areas. The list of emerging domestic markets shall  
4 be prepared by October 1, 2007, and updated every five years.  
5 The list shall be made available through the Economic Strategy  
6 Panel's Internet Web site.

7 SEC. 4. Article 8 (commencing with Section 13900) is added  
8 to Chapter 2 of Division 3 of the Insurance Code, to read:

9  
10 Article 8. The California Rural Community Development  
11 Financial Institutions Act  
12

13 13900. The California Department of Insurance shall  
14 establish an outreach program to rural and underserved areas of  
15 California to certify Community Development Financial  
16 Institutions that are eligible to participate in the program referred  
17 to in Sections 12209, 17053.57 and 23657 of the Revenue and  
18 Taxation Code.

19 (a) For the purposes of this article "rural" means communities  
20 with populations under 100,000 persons located outside  
21 metropolitan statistical areas.

22 (b) For the purposes of this article "underserved area" means a  
23 region of the state, based on an annual survey of department  
24 certified Community Development Financial Institutions, that has  
25 less than five certified Community Development Financial  
26 Institutions.

27 (c) For the purposes of this article, "region" means an  
28 economic region as defined by the California Economic Strategy  
29 Panel California regions are as follows:

30 (1) Central Sierra.

31 (A) Alpine.

32 (B) Amador.

33 (C) Calaveras.

34 (D) Inyo.

35 (E) Mariposa.

36 (F) Mono.

37 (G) Tuolumne.

38 (2) North Coast.

39 (A) Humboldt.

40 (B) Lake.

- 1 (C) Mendocino.
- 2 (3) Northern California.
- 3 (A) Del Norte.
- 4 (B) Lassen.
- 5 (C) Modoc.
- 6 (D) Nevada.
- 7 (E) Plumas.
- 8 (F) Sierra.
- 9 (G) Siskiyou.
- 10 (H) Trinity.
- 11 (4) San Joaquin Valley.
- 12 (A) Fresno.
- 13 (B) Kern.
- 14 (C) Kings.
- 15 (D) Madera.
- 16 (E) Merced.
- 17 (F) San Joaquin.
- 18 (G) Stanislaus.
- 19 (H) Tulare.
- 20 (5) Northern Sacramento Valley.
- 21 (A) Butte.
- 22 (B) Colusa.
- 23 (C) Glenn.
- 24 (D) Shasta.
- 25 (E) Tehama.
- 26 (6) Central Coast.
- 27 (A) Monterey.
- 28 (B) San Benito.
- 29 (C) San Luis Obispo.
- 30 (D) Santa Barbara.
- 31 (7) Greater Sacramento.
- 32 (A) El Dorado.
- 33 (B) Placer.
- 34 (C) Sacramento.
- 35 (D) Sutter.
- 36 (E) Yolo.
- 37 (F) Yuba.
- 38 (8) Southern California.
- 39 (A) Los Angeles.
- 40 (B) Orange.

- 1 (C) Riverside.
- 2 (D) San Bernardino.
- 3 (E) Ventura.
- 4 (9) Bay Area.
- 5 (A) Alameda.
- 6 (B) Contra Costa.
- 7 (C) Marin.
- 8 (D) Napa.
- 9 (E) San Francisco.
- 10 (F) San Mateo.
- 11 (G) Santa Clara.
- 12 (H) Santa Cruz.
- 13 (I) Solano.
- 14 (J) Sonoma.
- 15 (10) Southern Border Region.
- 16 (A) Imperial County.
- 17 (B) San Diego County.

18 13901. The department shall report to the Legislature by July  
19 1, 2007, detailing the outreach program described in Section  
20 13900, and shall contain the following:

- 21 (a) The outreach strategy.
- 22 (b) The outreach implementation plan, including timeline,  
23 benchmarks and measurable objectives.
- 24 (c) The stakeholders participating in the implementation of the  
25 plan.

26 13902. Beginning on October 1, 2008, the department shall  
27 annually provide the following information on the department's  
28 Web site:

- 29 (a) The total number of certified Community Development  
30 Financial Institutions and their service area.
- 31 (b) The number of certified Community Development  
32 Financial Institutions and their service areas added since the last  
33 published report.
- 34 (c) A summary of investments made by community  
35 development financial institutions with funding received in  
36 conjunction with the credits authorized by Sections 12209 and  
37 17053.57 of the Revenue and Taxation Code, presented as  
38 follows:
  - 39 (1) Geographic area.
  - 40 (2) Total moneys invested.

(3) The type of investments made, for example:

(A) Real property.

(B) Private equity other than real property.

(C) Venture capital.

(D) Start up financing.

(d) Number of jobs created.

(e) Units of lower income housing financed.

(f) Small businesses assisted.

~~SEC. 5. Section 12209 of the Revenue and Taxation Code is amended to read:~~

~~12209. (a) For each year beginning on or after January 1, 1999, and before January 1, 2007, there shall be allowed as a credit against the amount of tax, as defined in Section 28 of Article XIII of the California Constitution, an amount equal to 20 percent of the amount of each qualified investment made by a taxpayer during the year into a community development financial institution.~~

~~(b) For purposes of determining any tax that may be imposed under Section 685 of the Insurance Code on a taxpayer not organized under the laws of this state, the amount of the credit allowed by subdivision (a) shall be treated as a tax paid under Section 12201 or Section 28 of Article XIII of the California Constitution.~~

~~(c) Notwithstanding any other provision of this part, no credit shall be allowed under this section unless the California Organized Investment Network, or its successor within the Department of Insurance, certifies that the investment described in subdivision (a) qualifies for the credit under this section and certifies the total amount of the credit allocated to the taxpayer pursuant to this section. The aggregate amount of qualified investments made by all taxpayers pursuant to this section, Section 17053.57, and Section 23657 shall not exceed ten million dollars (\$10,000,000) for each calendar year. However, if the aggregate amount of qualified investments made in any calendar year is less than ten million dollars (\$10,000,000), the difference may be carried over to the next year, and any succeeding year during which this section remains in effect, and added to the aggregate amount authorized for those years.~~

~~(d) The community development financial institution shall do all of the following:~~



1     ~~(1) Apply to the Department of Insurance, California~~  
2     ~~Organized Investment Network, or its successor, for certification~~  
3     ~~of its status as a community development financial institution.~~

4     ~~(2) Apply to the Department of Insurance, California~~  
5     ~~Organized Investment Network, or its successor, on behalf of the~~  
6     ~~taxpayer for certification of the amount of the investment and the~~  
7     ~~credit amount allocated to the taxpayer, obtain the certification,~~  
8     ~~and retain a copy of the certification.~~

9     ~~(3) Obtain the taxpayer's California company identification~~  
10    ~~number for tax administration purposes and provide this~~  
11    ~~information to the Department of Insurance, California~~  
12    ~~Organized Investment Network, or its successor, with the~~  
13    ~~application required in paragraph (2).~~

14    ~~(4) Provide an annual listing to the State Board of~~  
15    ~~Equalization, in the form and manner agreed upon by the State~~  
16    ~~Board of Equalization and the Department of Insurance,~~  
17    ~~California Organized Investment Network, or its successor, of~~  
18    ~~the names and taxpayer's California company identification~~  
19    ~~numbers of any taxpayer who makes any withdrawal or partial~~  
20    ~~withdrawal of a qualified investment before the expiration of 60~~  
21    ~~months from the date of the qualified investment.~~

22    ~~(e) The Department of Insurance, California Organized~~  
23    ~~Investment Network, or any successor thereof, shall do all of the~~  
24    ~~following:~~

25    ~~(1) Accept applications for certification from financial~~  
26    ~~institutions and issue certificates that the applicant is a~~  
27    ~~community development financial institution qualified to receive~~  
28    ~~qualified investments.~~

29    ~~(2) Accept applications for certification from any community~~  
30    ~~development financial institution on behalf of the taxpayer and~~  
31    ~~issue certificates to taxpayers in an aggregate amount that shall~~  
32    ~~not exceed the limit specified in subdivision (e). The certificate~~  
33    ~~shall include the amount eligible to be made as an investment~~  
34    ~~that qualifies for the credit and the total amount of the credit to~~  
35    ~~which the taxpayer is entitled for the year. Certificates shall be~~  
36    ~~issued in the order that the applications are received.~~

37    ~~(3) Provide an annual listing to the State Board of~~  
38    ~~Equalization, in the form or manner agreed upon by the State~~  
39    ~~Board of Equalization and the Department of Insurance,~~  
40    ~~California Organized Investment Network, or its successor, of~~

1 the taxpayers who were issued certificates, their respective  
2 National Association of Insurance Commissioners company  
3 number and employer's tax identification number, the amount of  
4 the qualified investment made by each taxpayer, and the total  
5 amount of qualified investments.

6 (f) For purposes of this section:

7 (1) "Qualified investment" means a deposit or loan that does  
8 not earn interest, or an equity investment, or an equity-like debt  
9 instrument that conforms to the specifications for these  
10 instruments as prescribed by the United States Department of the  
11 Treasury, Community Development Financial Institutions Fund,  
12 or its successor. All qualified investments must be equal to or  
13 greater than fifty thousand dollars (\$50,000) and made for a  
14 minimum duration of 60 months.

15 (2) "Community development financial institution" means a  
16 private financial institution located in this state that is certified by  
17 the Department of Insurance, California Organized Investment  
18 Network, or its successor, that has community development as its  
19 primary mission, and that lends in urban, rural, or  
20 reservation-based communities in this state. A community  
21 development financial institution may include a community  
22 development bank, a community development loan fund, a  
23 community development credit union, a microenterprise fund, a  
24 community development corporation-based lender, and a  
25 community development venture fund.

26 (g) (1) If a qualified investment is withdrawn before the end  
27 of the 60th month and not reinvested in another community  
28 development financial institution within 60 days, there shall be  
29 added to the "tax," as defined in Section 28 of Article XIII of the  
30 California Constitution, for the year in which the withdrawal  
31 occurs, the entire amount of any credit previously allowed under  
32 this section.

33 (2) If a qualified investment is reduced before the end of the  
34 60th month, but not below fifty thousand dollars (\$50,000), there  
35 shall be added to the "tax," as defined in Section 28 of Article  
36 XIII of the California Constitution, for the taxable year in which  
37 the reduction occurs, an amount equal to 20 percent of the total  
38 reduction for the year.

39 (h) In the case where the credit allowed by this section  
40 exceeds the "tax," the excess may be carried over to reduce the

1 “tax” for the next four years, or until the credit has been  
2 exhausted, whichever occurs first.

3 (i) The State Board of Equalization shall, as requested by the  
4 Department of Insurance, California Organized Investment  
5 Network, or its successor, advise and assist in the administration  
6 of this section.

7 (j) This section shall remain in effect only until January 1,  
8 2011, and as of that date is repealed.

9 SEC. 6. Section 17053.57 of the Revenue and Taxation Code  
10 is amended to read:

11 17053.57. (a) For each taxable year beginning on or after  
12 January 1, 1997, and before January 1, 2007, there shall be  
13 allowed as a credit against the amount of “net tax,” as defined in  
14 Section 17039, an amount equal to 20 percent of the amount of  
15 each qualified investment made by a taxpayer during the taxable  
16 year into a community development financial institution.

17 (b) Notwithstanding any other provision of this part, no credit  
18 shall be allowed under this section unless the California  
19 Organized Investment Network, or its successor within the  
20 Department of Insurance, certifies that the investment described  
21 in subdivision (a) qualifies for the credit under this section and  
22 certifies the total amount of the credit allocated to the taxpayer  
23 pursuant to this section. The aggregate amount of qualified  
24 investments made by all taxpayers pursuant to this section,  
25 Section 12209, and Section 23657 shall not exceed ten million  
26 dollars (\$10,000,000) for each calendar year. However, if the  
27 aggregate amount of qualified investments made in any calendar  
28 year is less than ten million dollars (\$10,000,000), the difference  
29 may be carried over to the next year, and any succeeding year  
30 during which this section remains in effect, and added to the  
31 aggregate amount authorized for those years.

32 (c) The Community Development Financial Institution shall  
33 do all of the following:

34 (1) Apply to the Department of Insurance, California  
35 Organized Investment Network, or its successor, for certification  
36 of its status as a Community Development Financial Institution.

37 (2) Apply to the Department of Insurance, California  
38 Organized Investment Network, or its successor, on behalf of the  
39 taxpayer for certification of the amount of the investment and the

1 credit amount allocated to the taxpayer, obtain the certification,  
2 and retain a copy of the certification.

3 (3) Obtain the taxpayer's identification number, or in the case  
4 of a partnership, the taxpayer identification numbers of all the  
5 partners for tax administration purposes and provide this  
6 information to the Department of Insurance, California  
7 Organized Investment Network, or its successor, with the  
8 application required in paragraph (2):

9 (4) Provide an annual listing to the Franchise Tax Board, in  
10 the form and manner agreed upon by the Franchise Tax Board  
11 and the Department of Insurance, California Organized  
12 Investment Network, or its successor, of the names and taxpayer  
13 identification numbers of any taxpayer who makes any  
14 withdrawal or partial withdrawal of a qualified investment before  
15 the expiration of 60 months from the date of the qualified  
16 investment.

17 (d) The Department of Insurance, California Organized  
18 Investment Network, or any successor thereof, shall do all of the  
19 following:

20 (1) Accept applications for certification from financial  
21 institutions and issue certificates that the applicant is a  
22 Community Development Financial Institution qualified to  
23 receive qualified investments.

24 (2) Accept applications for certification from any Community  
25 Development Financial Institution on behalf of the taxpayer and  
26 issue certificates to taxpayers in an aggregate amount that shall  
27 not exceed the limit specified in subdivision (b). The certificate  
28 shall include the amount eligible to be made as an investment  
29 that qualifies for the credit and the total amount of the credit to  
30 which the taxpayer is entitled for the taxable year. Certificates  
31 shall be issued in the order in which the applications are  
32 received.

33 (3) Provide an annual listing to the Franchise Tax Board, in a  
34 form or manner agreed upon by the Franchise Tax Board and the  
35 Department of Insurance, California Organized Investment  
36 Network, or its successor, of the taxpayers who were issued  
37 certificates, their respective tax identification numbers, the  
38 amount of the qualified investment made by each taxpayer, and  
39 the total amount of all qualified investments.

40 (e) For purposes of this section:

1     ~~(1) “Qualified investment” means a deposit or loan that does~~  
2 ~~not earn interest, or an equity investment, or an equity-like debt~~  
3 ~~instrument that conforms to the specifications for these~~  
4 ~~instruments as prescribed by the United States Department of the~~  
5 ~~Treasury, Community Development Financial Institutions Fund,~~  
6 ~~or its successor. All qualified investments must be equal to or~~  
7 ~~greater than fifty thousand dollars (\$50,000) and made for a~~  
8 ~~minimum duration of 60 months.~~

9     ~~(2) “Community development financial institution” means a~~  
10 ~~private financial institution located in this state that is certified by~~  
11 ~~the Department of Insurance, California Organized Investment~~  
12 ~~Network, or its successor, that has community development as its~~  
13 ~~primary mission, and that lends in urban, rural, or~~  
14 ~~reservation-based communities in this state. A community~~  
15 ~~development financial institution may include a community~~  
16 ~~development bank, a community development loan fund, a~~  
17 ~~community development credit union, a microenterprise fund, a~~  
18 ~~community development corporation-based lender, and a~~  
19 ~~community development venture fund.~~

20     ~~(f) (1) If a qualified investment is withdrawn before the end of~~  
21 ~~the 60th month and not reinvested in another Community~~  
22 ~~Development Financial Institution within 60 days, there shall be~~  
23 ~~added to the “net tax,” as defined in Section 17039, for the~~  
24 ~~taxable year in which the withdrawal occurs, the entire amount of~~  
25 ~~any credit previously allowed under this section.~~

26     ~~(2) If a qualified investment is reduced before the end of the~~  
27 ~~60th month, but not below fifty thousand dollars (\$50,000), there~~  
28 ~~shall be added to the “net tax,” as defined in Section 17039, for~~  
29 ~~the taxable year in which the reduction occurs, an amount equal~~  
30 ~~to 20 percent of the total reduction for the taxable year.~~

31     ~~(g) In the case where the credit allowed by this section~~  
32 ~~exceeds the “net tax,” the excess may be carried over to reduce~~  
33 ~~the “net tax” for the next four taxable years, or until the credit~~  
34 ~~has been exhausted, whichever occurs first.~~

35     ~~(h) The Franchise Tax Board shall, as requested by the~~  
36 ~~Department of Insurance, California Organized Investment~~  
37 ~~Network, or its successor, advise and assist in the administration~~  
38 ~~of this section.~~

39     ~~(i) This section shall remain in effect only until January 1,~~  
40 ~~2011, and as of that date is repealed.~~

1     ~~SEC. 7. Section 23657 of the Revenue and Taxation Code is~~  
2     ~~amended to read:~~

3     ~~23657. (a) For each taxable year beginning on or after~~  
4     ~~January 1, 1997, and before January 1, 2007, there shall be~~  
5     ~~allowed as a credit against the amount of "tax," as defined in~~  
6     ~~Section 23036, an amount equal to 20 percent of the amount of~~  
7     ~~each qualified investment made by a taxpayer during the taxable~~  
8     ~~year into a community development financial institution.~~

9     ~~(b) Notwithstanding any other provision of this part, no credit~~  
10    ~~shall be allowed under this section unless the California~~  
11    ~~Organized Investment Network, or its successor within the~~  
12    ~~Department of Insurance, certifies that the investment described~~  
13    ~~in subdivision (a) qualifies for the credit under this section and~~  
14    ~~certifies the total amount of the credit allocated to the taxpayer~~  
15    ~~pursuant to this section. The aggregate amount of qualified~~  
16    ~~investments made by all taxpayers pursuant to this section,~~  
17    ~~Section 12209, and Section 17053.57 shall not exceed ten million~~  
18    ~~dollars (\$10,000,000) for each calendar year. However, if the~~  
19    ~~aggregate amount of qualified investments made in any calendar~~  
20    ~~year is less than ten million dollars (\$10,000,000), the difference~~  
21    ~~may be carried over to the next year, and any succeeding year~~  
22    ~~during which this section remains in effect, and added to the~~  
23    ~~aggregate amount authorized for those years.~~

24    ~~(c) The Community Development Financial Institution shall~~  
25    ~~do all of the following:~~

26    ~~(1) Apply to the Department of Insurance, California~~  
27    ~~Organized Investment Network, or its successor, for certification~~  
28    ~~of its status as a Community Development Financial Institution.~~

29    ~~(2) Apply to the Department of Insurance, California~~  
30    ~~Organized Investment Network, or its successor, on behalf of the~~  
31    ~~taxpayer, for certification of the amount of the investment and~~  
32    ~~the credit amount allocated to the taxpayer, obtain the~~  
33    ~~certification, and retain a copy of the certification.~~

34    ~~(3) Obtain the taxpayer's identification number, or in the case~~  
35    ~~of an "S corporation," the taxpayer identification numbers of all~~  
36    ~~the shareholders for tax administration purposes and provide this~~  
37    ~~information to the Department of Insurance, California~~  
38    ~~Organized Investment Network, or its successor, with the~~  
39    ~~application required in paragraph (2).~~

1     ~~(4) Provide an annual listing to the Franchise Tax Board, in~~  
2     ~~the form and manner agreed upon by the Franchise Tax Board~~  
3     ~~and the Department of Insurance, California Organized~~  
4     ~~Investment Network, or its successor, of the names and taxpayer~~  
5     ~~identification numbers of any taxpayer who makes any~~  
6     ~~withdrawal or partial withdrawal of a qualified investment before~~  
7     ~~the expiration of 60 months from the date of the qualified~~  
8     ~~investment.~~

9     ~~(d) The Department of Insurance, California Organized~~  
10    ~~Investment Network, or any successor thereof, shall do all of the~~  
11    ~~following:~~

12    ~~(1) Accept applications for certification from financial~~  
13    ~~institutions and issue certificates that the applicant is a~~  
14    ~~Community Development Financial Institution qualified to~~  
15    ~~receive qualified investments.~~

16    ~~(2) Accept applications for certification from any Community~~  
17    ~~Development Financial Institution on behalf of the taxpayer and~~  
18    ~~issue certificates to taxpayers in an aggregate amount that shall~~  
19    ~~not exceed the limit specified in subdivision (b). The certificate~~  
20    ~~shall include the amount eligible to be made as an investment~~  
21    ~~that qualifies for the credit and the total amount of the credit to~~  
22    ~~which the taxpayer is entitled for the taxable year. Certificates~~  
23    ~~shall be issued in the order that the applications are received.~~

24    ~~(3) Provide an annual listing to the Franchise Tax Board, in~~  
25    ~~the form or manner agreed upon by the Franchise Tax Board and~~  
26    ~~the Department of Insurance, California Organized Investment~~  
27    ~~Network, or its successor, of the taxpayers who were issued~~  
28    ~~certificates, their respective tax identification numbers, the~~  
29    ~~amount of the qualified investment made by each taxpayer, and~~  
30    ~~the total amount of all qualified investments.~~

31    ~~(e) For purposes of this section:~~

32    ~~(1) "Qualified investment" means a deposit or loan that does~~  
33    ~~not earn interest, or an equity investment, or an equity-like debt~~  
34    ~~instrument that conforms to the specifications for these~~  
35    ~~instruments as prescribed by the United States Department of the~~  
36    ~~Treasury, Community Development Financial Institutions Fund,~~  
37    ~~or its successor. All qualified investments must be equal to or~~  
38    ~~greater than fifty thousand dollars (\$50,000) and made for a~~  
39    ~~minimum duration of 60 months.~~

~~(2) “Community development financial institution” means a private financial institution located in this state that is certified by the Department of Insurance, California Organized Investment Network, or its successor, that has community development as its primary mission, and that lends in urban, rural, or reservation-based communities in this state. A community development financial institution may include a community development bank, a community development loan fund, a community development credit union, a microenterprise fund, a community development corporation-based lender, and a community development venture fund.~~

~~(f) (1) If a qualified investment is withdrawn before the end of the 60th month and not reinvested in another Community Development Financial Institution within 60 days, there shall be added to the “tax,” as defined in Section 23036, for the taxable year in which the withdrawal occurs, the entire amount of any credit previously allowed under this section.~~

~~(2) If a qualified investment is reduced before the end of the 60th month, but not below fifty thousand dollars (\$50,000), there shall be added to the “tax,” as defined in Section 23036, for the taxable year in which the reduction occurs, an amount equal to 20 percent of the total reduction for the taxable year.~~

~~(g) In the case where the credit allowed by this section exceeds the “tax,” the excess may be carried over to reduce the “tax” for the next four taxable years, or until the credit has been exhausted, whichever occurs first.~~

~~(h) The Franchise Tax Board shall, as requested by the Department of Insurance, California Organized Investment Network or its successor, advise and assist in the administration of this section.~~

~~(i) This section shall remain in effect only until January 1, 2011, and as of that date is repealed.~~